

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AGR-20 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10

SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 L-03 H-03

NEA-10 DRC-01 /217 W

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R 111748Z DEC 73

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 729

INFO USINT ALGIERS

AMCONSUL CASABLANCA

AMEMBASSY PARIS

AMCONSUL TANGIER

C O N F I D E N T I A L SECTION 1 OF 2 RABAT 5348

E.O. 11652: GDS

TAGS: ECON MO PFOR

SUBJ: KING RAISES PRICES AND WAGES

1. SUMMARY. KING HAS ANNOUNCED RISES OF BETWEEN 16 AND 29 PER CENT IN PRICES ON BASIC COMMODITIES, BOTH PAID TO PRODUCER AND BY CONSUMER, AND MINIMUM WAGE AND SALARY INCREASES OF 20 TO 23 PER CENT. PRICE RISE EXPECTED TO LEAD TO ONE-SHOT COST OF LIVING INCREASE OF 3 PER CENT, AND, ACCORDING KING REVENUES PRODUCED WILL BE USED TO FINANCE MOROCCO'S ROLE IN MIDEAST WAR. KING ASLO NOTED THAT LARGE SUM ALLOCATED TO DEVELOPMENT BUDGET FOR 1973 NOT SPENT AND CALLED FOR GOM TO IMPROVE THIS RECORD IN 1974. CIVIL SERVANTS AND FARMERS SHOULD BENEFIT FROM MOVES WITH POOR AND MOST OF WORK FORCE STANDING TO LOSE GROUND IN NEW INFLATIONARY RIPPLE RISES WILL PRODUCE. ATTEMPT BY KING KING TO JUSTIFY PRICE RISE IN TERMS OF MOROCCO'S MIDEAST ROLE MAY PROVOKE ADVERSE LOCAL REACTION. END SUMMARY.

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2. IN 45-MINUTE RADIO AND TV SPEECH DECEMBER 8, KING DISCUSSED INTERNAL ECONOMIC SITUATION, ALGIERS SUMMIT AND MOROCCO'S ROLE IN WORLD. ON ECONOMY, HE ANNOUNCED INCREASES IN PRICES (EFFECTIVE DECEMBER 9) AND CERTAIN WAGES (EFFECTIVE DECEMBER 16) AS FOLLOWS:

A. PRICES PAID TO PRODUCERS OF DURUM WHEAT, SOFT WHEAT, CORN, BARLEY, SUNFLOWER SEED AND SUGAR BEET WILL RISE BY 28 PER CENT ON AVERAGE.

B. CONSUMER PRICES ON LOAF SUGAR, FLOUR, COOKING OIL AND GASOLINE ARE TO RAISED BETWEEN 16 AND 29 PER CENT.

C. MINIMUM WAGES FOR INDUSTRIAL AND AGRICULTURAL WORKERS WILL BE RAISED BY 20 PER CENT AND GOVERNMENT WORKERS' SALARIES A MINIMUM OF 23 PER CENT.

PRICE RISE SHOULD LEAD TO ONE-SHOT, 3 PER CENT INCREASE IN COST OF LIVING, KING SAID, BUT THIS HE BELIEVED, WOULD BE MORE THAN COMPENSATED BY WAGE INCREASES.

3. KING WENT ON TO SAY THAT PRICE INCREASES WOULD ENABLE GOM TO SAVE BETWEEN \$125 AND 150 MILLION IN SUBSIDIES NOW PAID TO HOLD DOWN PRICES PAID BY CONSUMERS FOR BASIC COMMODITIES. THIS SUM, HE SAID, WILL BE USED TO HELP DEFRAY COSTS OF EXPEDITIONARY FORCES IN MIDDLE EAST, WHICH, HE SAID, HAD COST \$200 MILLION TO DATE. MOROCCO, KING DECLARED, MUST BE PREPARED TO PAY PRICE OF BECOMING KNOWN IN ISLAMIC WORLD AND OF MAKING SACRIFICES ON ARAB BATTLEFIELDS.

4. ON MOROCCO'S ECONOMIC DEVELOPMENT, KINE SAID COUNTRY CONFRONTED WITH EMBARRASSING FACT THAT GOM HAD ALLOCATED VAST SUM OF MONEY TO 1973 DEVELOPMENT BUDGET WHICH HAD NOT BEEN SPENT. THIS AMOUNT, AND THAT PRESENTLY ALLOCATED TO 1974 DEVELOPMENT BUDGET, TOTAL BETWEEN \$725 AND 750 MILLION. GOM, KING SAID, SHOULD MAKE THOROUGH REVIEW OF PROCEDURES FOR SPENDING CREDITS, PROCEDURES WHICH IN PAST HAVE GREATLY DELAYED DEVELOPMENT PROJECTS, WITH NO OBJECTIVE OF SPENDING ALL MONEY ALLOCATED FOR 1974 DEVELOPMENT BUDGET.

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5. LEAVING ECONOMY, KING DISCUSSED ALGIERS CONFERENCE. ATMOSPHERE AT GATHERING, WHICH KING TERMED RENAISSANCE CONFERENCE, WAS ON OF ENTHUSIASM. FORMERLY, PHRASE THAT QUOTE HIS AN ARAB UNQUOTE MEANT SOMEONE TO BE EMPLOYED, IF AT ALL, AS STREET SWEEPER. NOW ARAB PEOPLE ARE CONSCIOUS OF THIER POWER AND AT SAME TIME OF LIMITS OF THIS POWER. NONE OF PARTICIPANTS IN CONFERENCE HAD INDULGED IN DEMAGOGUERY OR PURSUED UNREALIZABLE DREAMS. ATMOSPHERE HAD

BEEN SERIOUS AND BUSINESSLIKE. MOROCCO HAD BEEN MEMBER OF CONFERENCE, HAD BEEN HOST OF FIRST ISLAMIC CONFERENCE AND HAD SERVED HISTORICALLY AS CONECTING POINT BETWEEN EUROPE AND AFRICA. IN ADDITION TO ARAB, EUROPEAN, AFRICAN AND ISLAMIC CONNECTIONS, MOROCCO WAS LINKED TO THE TWO CONTINENTS OF AMERICA--TO THE NORTH THROUGH LONG-STANDING RELATIONSHIP AND TO SOUTH THROUGH COMMON ANDALUSIAN HERITAGE. THESE RELATIONS IMPOSED A DUTY OF MAKING FRUITFUL A GOD-GIVEN PATRIMONY AND OF ACCEPTING A 3 PER CENT INCREASE IN COST OF LIVING IN ORDER TO SETTLE OBLIGATIONS, NOTABLE THOSE PRODUCED BY WAR.

6. COMMENT: SPEECH CLEARLY RESULT OF GOVERNMENT'S REALIZATION OF NEED TO DAMPEN POPULAR UNHAPPINESS CAUSED BY INFLATION WHICH HAS PERSISTED IN LAST HALF OF 1973. SOURCE IN OFFICE OF SECRETARY OF STATE FOR PLAN TELLS US THAT DECISION TO RAISE WAGES HAD BEEN TAKEN SEVERAL WEEKS AGO, BUT THAT PERCENTAGE HAD REMAINED CLOSELY GUARDED SECRET UNTIL SPEECH. SOURCE ALSO NOTED THAT LARGE NUMBER OF MEETINGS KING HELD WITH ECONOMIC OFFICIALS OVER PAST WEEK SERVED INFORM HIS OF SITUATION AND CONVINCE HIM OF NEED FOR THSES ACTIONS.

7. GOM IS IN EFFECT TAXING GENERAL POPULACE TO FINANCE HAND-SOME PAY RAISE FOR CIVIL SERVANTS. MOST OF PRICES RAISED ARE ON BASIC FOODSTUFFS MARKETED THROUGH OFFICIALS DISTRIBUTION SYSTEM, AND PPOR WILL PRESUMABLY PAY DISPROPORTIONATE SHARE. SALARY INCREASE REPRESENTS BETWEEN \$125 AND 150 MILLION ADDITIONAL CHARGE TO BUDGET, RROUGHLY AMOUNT KING PREDICTS WILL BE SAVED NATIONAL TREASURY BE SUBSIDY REDUCTION WHICH PRICE HIKES WILL PERMIT. MEASURES THUS WILL NOT RPT NOT MAKE NEW FUNDS AVAILABLE FOR FINANCING MOROCCAN INVOLVEMENT IN NEAR EAST, AS KING IMPLIED, OR, FOR THAT MATTER, FOR DEVELOPMENT.

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R 111748Z DEC 73

FM AMEMBASSY RABAT

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8. IN ADDITION TO CIVIL SERVANTS, FARMERS WILL ALSO BENEFIT BY SUBSTANTIALLY HIGHER CROP PRICES WHICH SHOULD INCREASE GRAIN, OIL, AND SUGAR BEET PRODUCTION NEXT YEAR. ESTIMATED TEN PER CENT OF WORK FORCE AFFECTED BY MINIMUM WAGE LEGISLATION WILL ALSO GAIN SOMEWHAT IN THEORY, ALTHOUGH PROBABLY LESS IN PRACTICE: MOST INDUSTRIAL WORKERS, AT LEAST, ALREADY EARN CONSIDERABLY MORE THAN VERY LOW REQUIRED MINIMUM. LOSERS, FOR THE MOMENT, ARE APPROXIMATELY 3.2 MILLION WORKERS (80 PER CENT OF WORK FORCE) WHO DO NOT WORK FOR GOVERNMENT OR COME UNDER MINIMUM WAGE. UNLESS GOM SUBSEQUENTLY PUTS PRESSURE ON FIRMS TO RAISE WAGES ACROSS THE BOARD, THEY WILL HAVE TO MEET HIGHER PRICES WITH LITTLE OR NO WAGE INCREASE, AND WILL SUFFER DROP IN REAL INCOME AS RESULT.

9. WAGE-PRICE RISE WILL PRODUCE INFLATIONARY PIPPLE THROUGHOUT ECONOMY. WHILE GOM INCOME TAX RECEIPTS WILL INCREASE SOMEWHAT, THIS NOT LIKELY COMPENSATE FOR HIGHER OPERATING COSTS, AND BUDGET LIKELY TO GO INTO DEEPER DEFICIT. EMBASSY NOW
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CONSERVATIVELY ESTIMATES CASABLANCA COST-OF-LIVING INDEX WILL SHOW 11 PER CENT RISE OVER 1973, AN INCREASE FAR IN EXCESS OF 2.4 PER CENT AVERAGE RISE OVER PAST FIVE YEARS. THIS INDICATES INFLATION RATE HITHERTO UNKNOWN IN INDEPENDENT MOROCCO.

10. KING OBVIOUSLY IMPRESSED BY NEED FOR FASTER GOVERNMENT ACTION IN FINANCING DEVELOPMENT PROJECTS IN GENERAL, AND, IN PARTICULAR, WITH SLOW TAKE-OFF OF NEW PLAN, WHICH RESULTED FROM DELAY IN ITS APPROVAL. PLAN SOURCE SAID THAT GOM MANAGED TO SPEND ONLY 15 PER CENT OF MONEY ALLOCATED TO FIRST YEAR OF NEW PLAN, A POINT WHICH SEEMS TO HAVE STRUCK KING. SOURCE ADDED THAT SPECIAL COMMISSION HAS BEEN FORMED TO STUDY WAYS OF GETTING GOVERNMENT TO MOVE FASTER.

11. ON POLITICAL FRONT, KING CONTINUED EFFORT TO PROJECT IMAGE OF MODERATE STATESMAN WITH LINKS TO ALL PARTS OF WORLD. HOWEVER, HIS ANNOUNCEMENT THAT HE WILL AT LEAST TRY TO FINANCE HIS DIPLOMATIC INITIATIVES BY RAISING PRICES ON ESSENTIAL

COMMODITIES MAY PROVOKE ADVERSE LOCAL REACTION PARTICULARLY WHEN,
ALMOST IN NEXT BREATH, HE TOLD PEOPLE THAT THERE ARE VAST SUMS OF
MONEY WHICH, THROUGH ADMINISTRATIVE INEFFICIENCY, MOROCCO HAS
BEEN UNABLE TO SPEND. JUSTIFICATION OF WAGE AND PRICE INCREASES
SOLELY ON ECONOMIC GROUNDS WOULD APPEAR TO HAVE BEEN
WISER.
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